



# Audit and Finance Overview

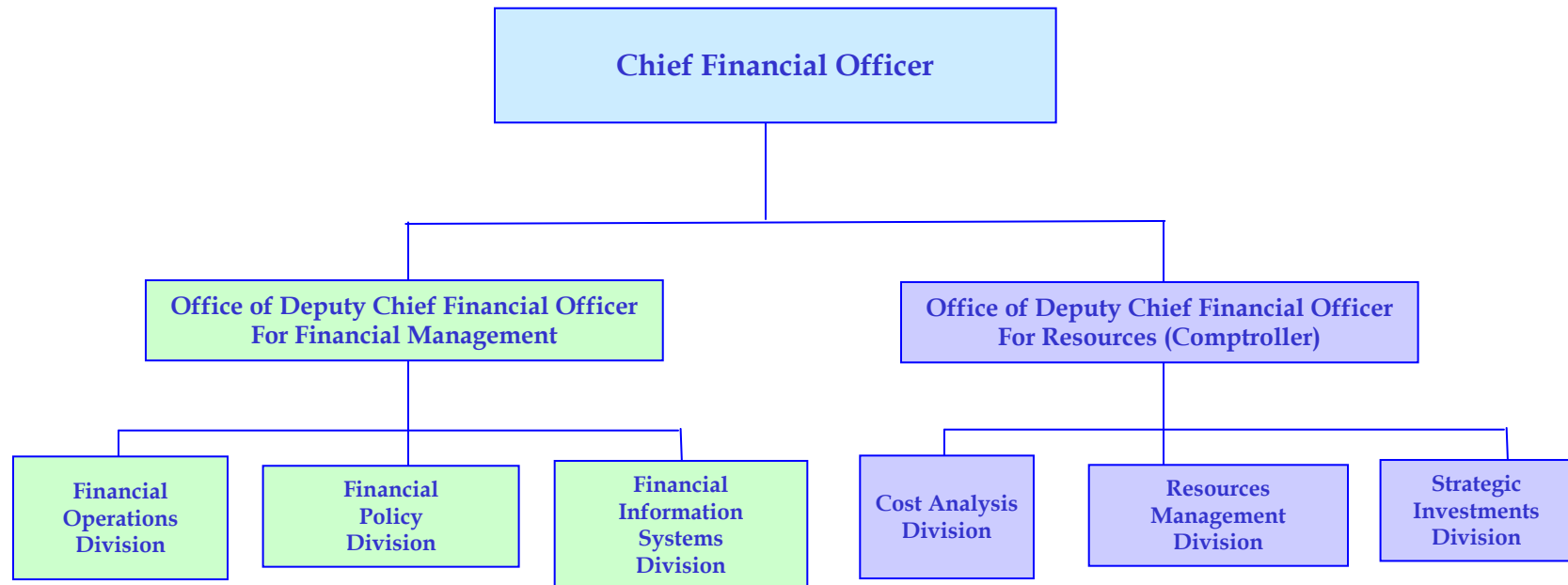
Gwendolyn Sykes  
Chief Financial Officer

November 30, 2005

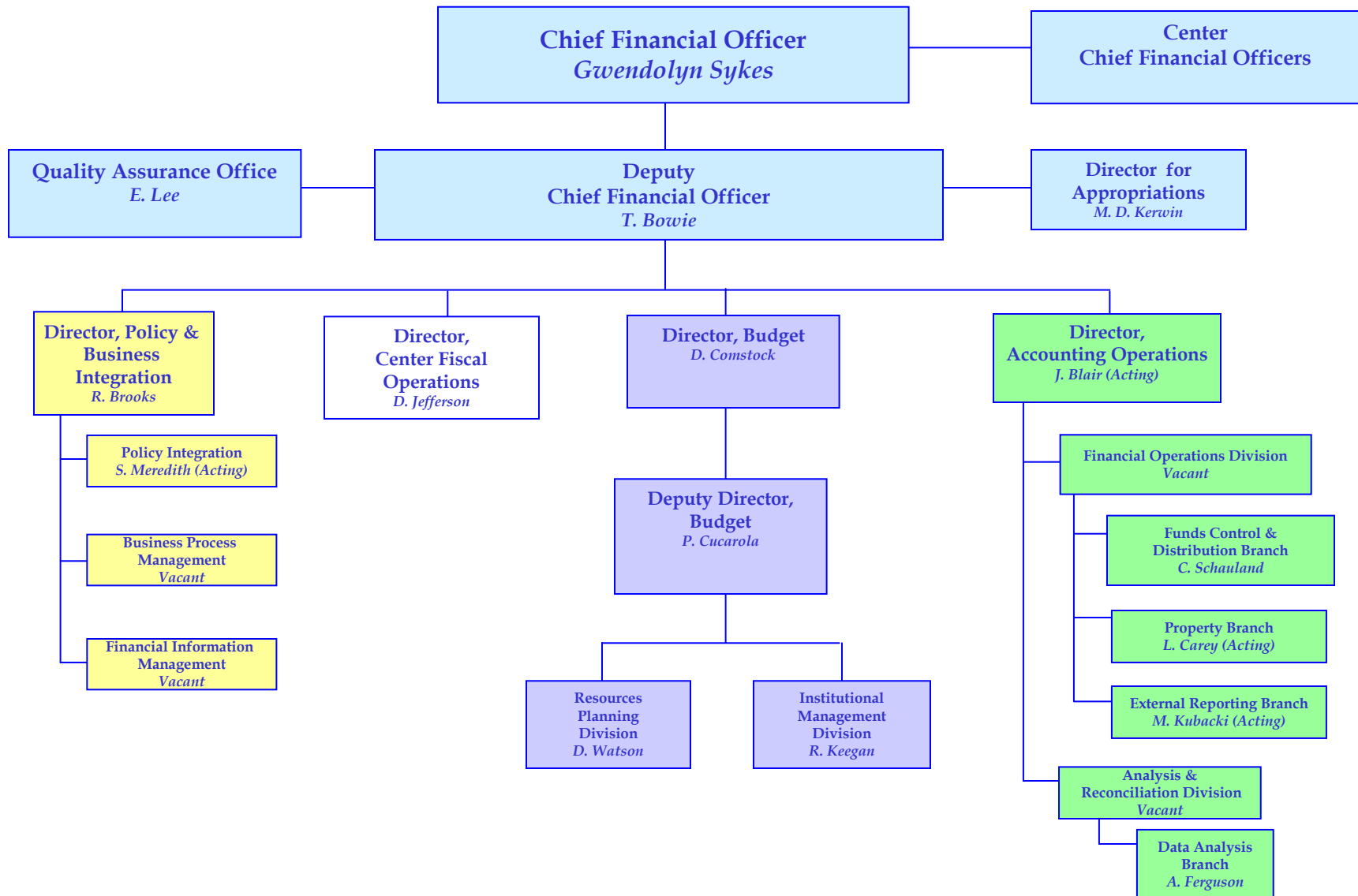
# Mission

**This Mission Support Office, established in accordance with the Chief Financial Officer's Act of 1990 (Public Law 101-576), provides professional leadership for the planning, analysis, justification, control, and reporting of all Agency fiscal resources.**

# Organization Structure: 2002



# Organization Structure: Today



November 30, 2005

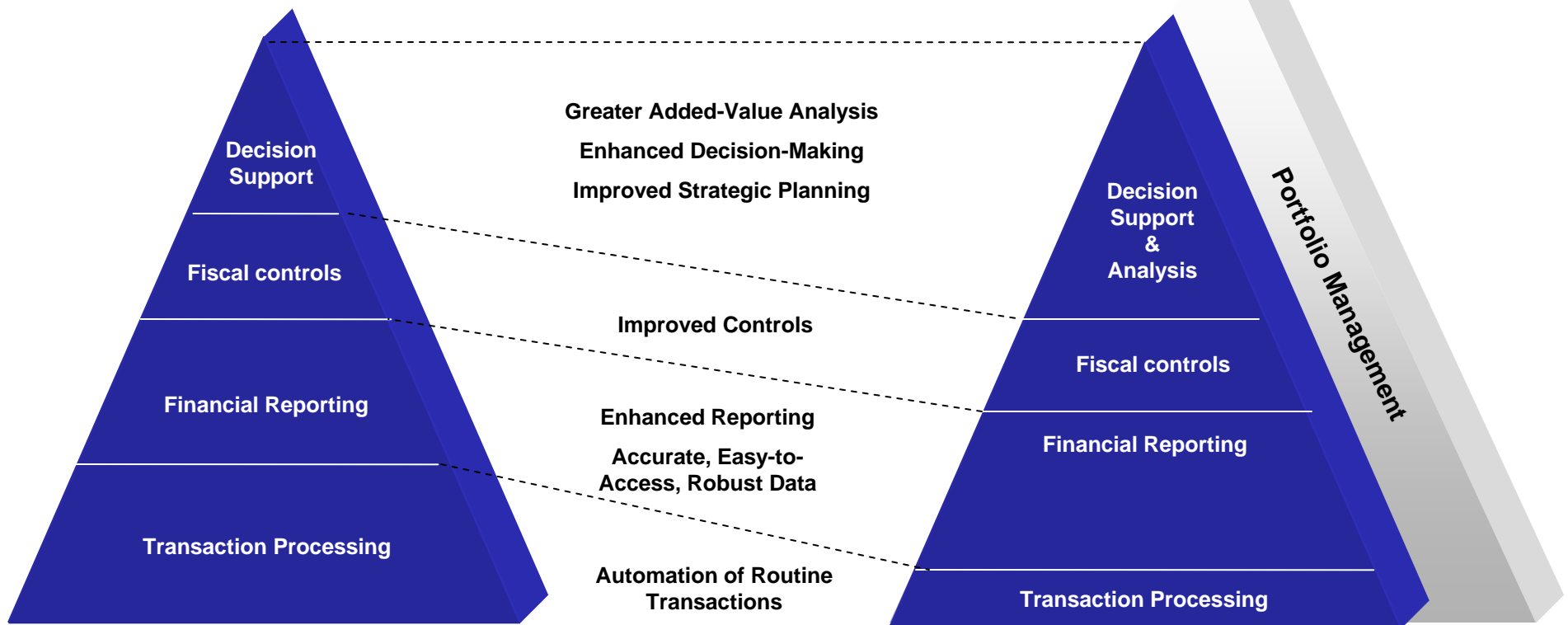
# OCFO Strategic Goals

- **Provide the Agency's Mission Directorates and Mission Support Areas with the financial knowledge, information, and tools required to manage programs, projects, institutions, and overall NASA resources**
- **Ensure that all stakeholders have a clear understanding and accurate assessment of how NASA resources effectively and efficiently support NASA's Vision**
- **Enable the OCFO workforce to provide world-class management and processes in support of the Agency's Mission Directorates and Mission Support Areas**

# Future of Financial Management at NASA

2002

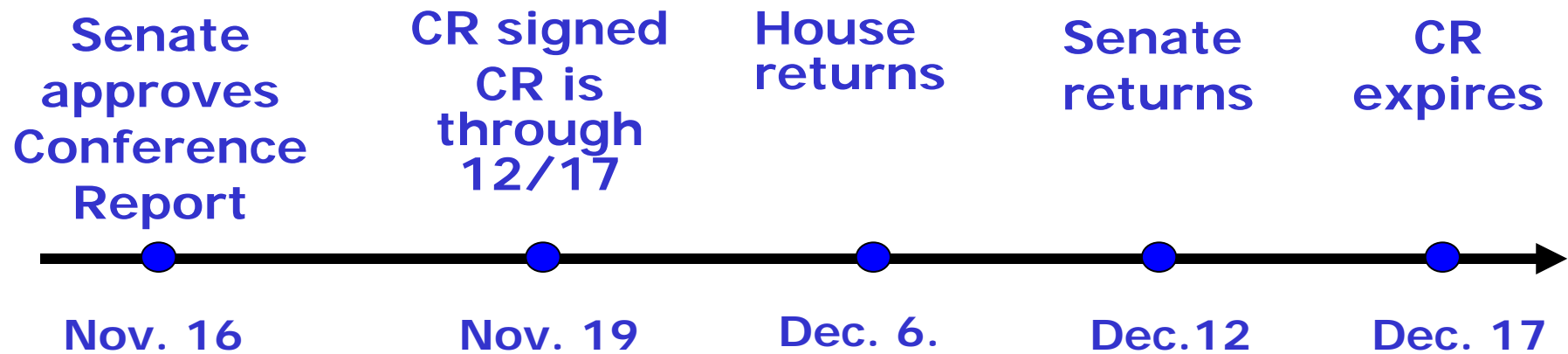
TOMORROW



November 30, 2005

# BUDGET

# '07 Budget Status





# Budget Improvements

- **First Agency to achieve “green” rating on Budget and Performance Integration for the President’s Management Agenda**
- **Implementing new PPBES budget process**
  - **For ‘08 budget process**
  - **in conjunction with Program Analysis & Evaluation**
- **Streamlining funds distribution process to support Mission execution**
- **Aligning budget, accounting, and project structures**

# ACCOUNTING

# Accounting Highlights

**National Aeronautics and Space Administration  
Consolidated Balance Sheet  
As of September 30, 2005 and September 30, 2004  
(In Thousands of Dollars)**

**Assets:**

	<u>2005</u>	<u>2004</u>
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 8,145,941	\$ 7,629,298
Investments (Note 3)	17,262	17,077
Accounts Receivable, Net (Note 4)	135,863	116,365
Advances and Prepaid Expenses	-	-
<b>Total Intragovernmental</b>	<b>8,299,066</b>	<b>\$ 7,762,740</b>
Accounts Receivable, Net (Note 4)	59,783	49,793
Materials and Supplies (Note 5)	3,019,292	2,952,031
Property, Plant and Equipment, Net (Note 6)	34,925,646	34,609,217
Advances and Prepaid Expenses	183	97
<b>Total Assets (Note 9)</b>	<b>\$ 46,303,970</b>	<b>\$ 45,373,878</b>

FBWT: Material Weakness

PP&E represents 75% of assets. Material Weakness

**Liabilities:**

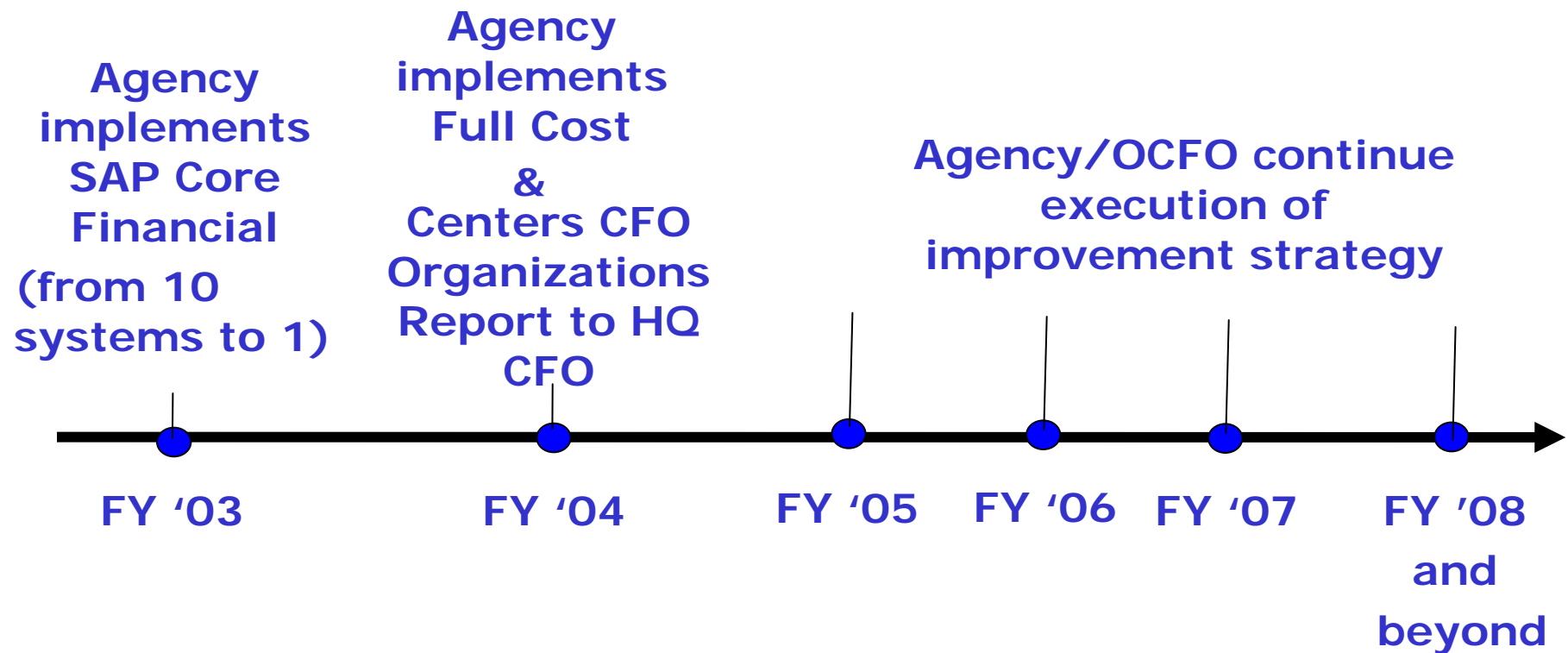
Intragovernmental		
Accounts Payable	\$ 55,804	\$ 73,972
Other (Notes 7 and 8)	124,691	110,872
<b>Total Intragovernmental</b>	<b>\$ 180,495</b>	<b>\$ 184,844</b>
Accounts Payable	2,075,700	2,029,570
Federal Employee and Veterans' Benefits	62,430	68,876
Environmental Cleanup (Note 14)	824,861	986,891
Other (Notes 7 and 8)	339,862	397,834
<b>Total Liabilities</b>	<b>\$ 3,483,348</b>	<b>\$ 3,668,015</b>

Environmental Liabilities: Reportable Condition

**Net Position:**

Unexpended Appropriations	5,317,741	\$ 4,771,482
Cumulative Results of Operations	37,502,881	36,934,381
<b>Total Net Position</b>	<b>\$ 42,820,622</b>	<b>\$ 41,705,863</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 46,303,970</b>	<b>\$ 45,373,878</b>

# Financial Management Improvement Journey



# Audit History

	2002 Unqualified	2003 Disclaimer	2004 Disclaimer	2005 <b>Disclaimer</b>
General Controls	RC	RC	MW	
Property, Plant and Equipment	MW	MW	MW	<b>MW</b>
Financial Systems, Analyses & Oversight	MW	MW	MW	<b>MW</b>
Fund Balance with Treasury		MW	MW	<b>MW</b>
Audit Trail and Documentation		MW		
Environmental Liabilities			RC	<b>RC</b>

MW = Material Weakness

RC = Reportable Condition

# FY '05 Audit: Property, Plant and Equipment

- **NASA lacks control to ensure reliable and accurate contractor-held property values**
- **NASA's accounting treatment for theme assets needs resolution**
  - **expense vs. capitalization policy**
  - **ability to capture these costs in real-time**
- **Inadequate internal controls of NASA-held personal and real property**

# FY'05 Audit: Financial Systems, Analyses, and Oversight

- **Core Financial System unable to:**
  - properly record all transactions
  - provide an audit trail for certain transactions
  - prepare accurate and complete financial statements
- **NASA reliant on subsidiary systems not integrated into Core Financial e.g. Property, Plant and Equipment**

## FY'05 Audit: Fund Balance with Treasury

- **Further research required to resolve Fund Balance with Treasury differences**



## FY '05 Audit: Environmental Liabilities

- **Roles and responsibilities need further refinement**
- **Increased guidance and training required**
- **Documentation to support liability need improvements**
- **Insufficient quality control over Center estimates**

## New GAO Recommendation

**“.... recommend that the NASA Administrator direct the IFMP Program Executive Officer to develop an integrated enterprise master schedule and milestones in coordination with the Office of the CFO, Office of Chief Engineer, and the Program Analysis and Evaluation Office.”**

<u>Category</u>	<u>Recommendations</u>	<u>Responsibility or Key Input</u>
Enterprise Architecture	19	CIO
Enterprise Architecture	3	IEMP
External Financial Reporting	4	OCFO
Life Cycle Cost Estimating	6	IEMP
Component Dependency Analysis	2	IEMP
Mitigate Risk of Deployed Components	6	IEMP
Re-engineer Business Processes	2	IEMP
Requirements / Testing Processes	3	IEMP

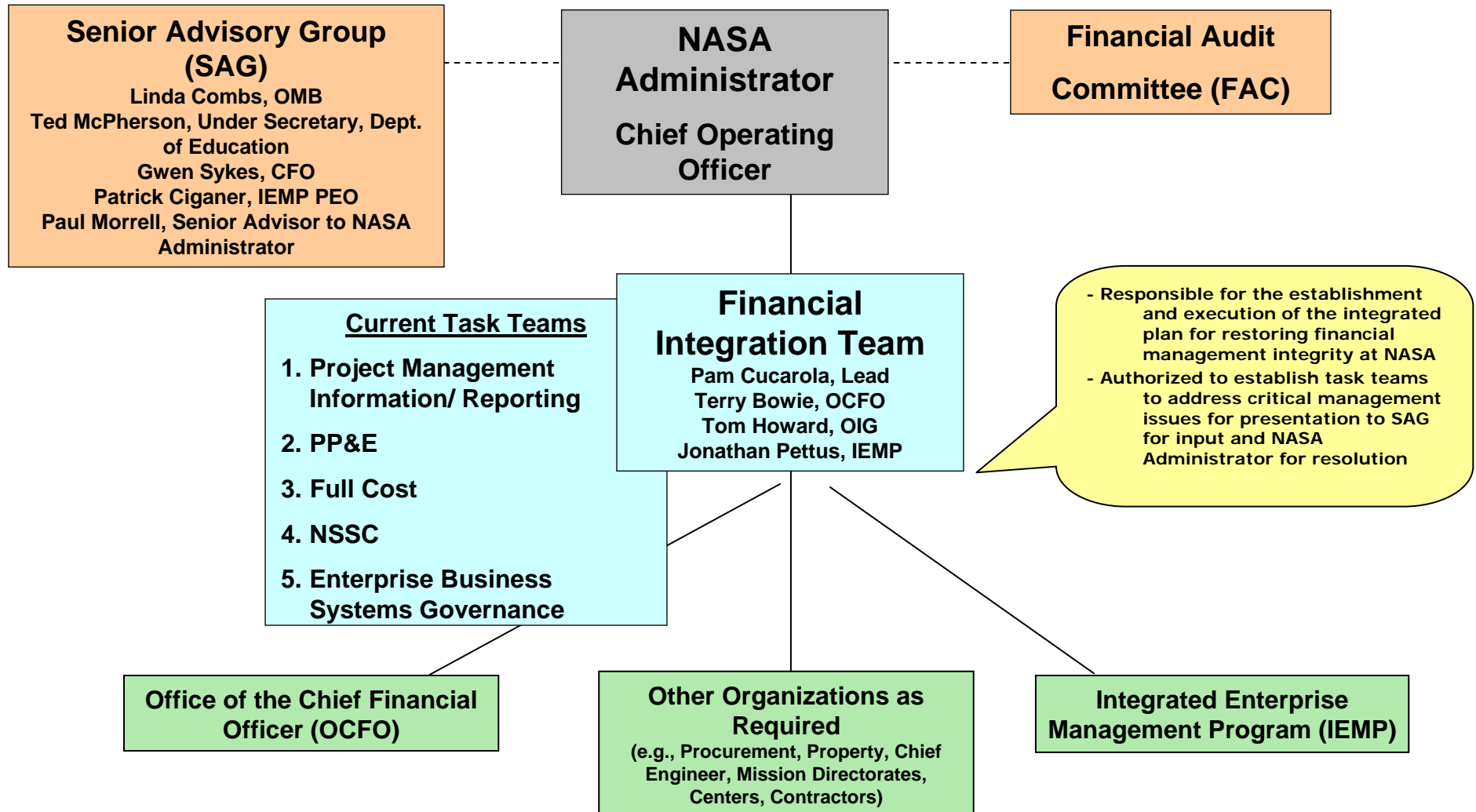
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# IMPROVING FINANCIAL MANAGEMENT

# Improving Financial Management at NASA

- **Created Financial Management Improvement Plan in 2003 to execute Financial Leadership Plan**
  - addresses root cause issues: systems, structures, workforce, policy and procedures
- **Financial Management Improvement Plan updated to address near and long-term improvements**
- **Corrective Action Plan (CAP) addresses FY'05 Audit Findings (due February 15, 2006)**

# Executing the Improvement Strategy



# Implementation Considerations

- **Maintaining momentum for cultural evolution in Agency financial management**
- **Building cross-agency support for:**
  - portfolio management
  - improving PP&E processes
  - strengthening internal controls